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Taiwan

Retail Food Sector

Convenience Store

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Report Highlights:

The characteristics of Taiwan's convenience store sector:

- World's highest store density
- Continuation of the market growth
- Taiwan as a gateway to China

Includes PSD Changes: No

Includes Trade Matrix: No

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I. Market Overview

The characteristics of Taiwan's convenience store sector:

- ❑ World's highest store density
- ❑ Continuation of the market growth
- ❑ Taiwan as a gateway to China

World's Highest Store Density

The number of convenience stores in Taiwan has greatly increased in recent years. With nearly 9,000 stores on the island in 2006, Taiwan has become world's most competitive market for convenience stores. According to a 2005 AcNielsen market research, Taiwan has the highest store density, with 8,000 stores throughout the country or one store per 2,800 people.

Continuation of the Market Growth

The top three chains, including 7-Eleven, Family Mart and Hi-Life, control about 82% of the total market shares and continue to grow at a rate of over 100 stores annually. The upward market trend concentrates on two or three chains. Mr. Pan Jin Tin, President of the Taiwan Family Mart stated in a recent article that the market is unsaturated and will continue to evolve into a new format of competition.

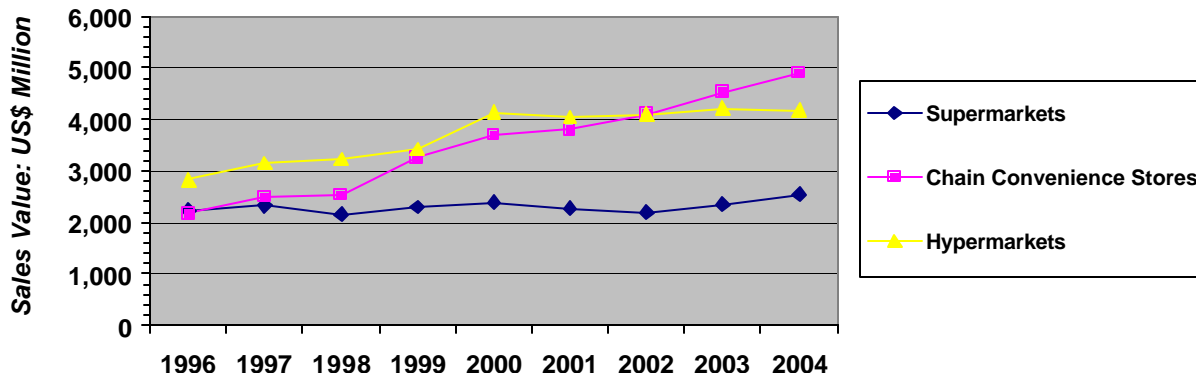
Number of New Stores

Year	2001	2002	2003	2004	2005	Total # of Stores (April 2006)
7-Eleven	267	303	253	215	357	4,179
Family Mart	150	142	197	200	151	1,884
Hi-Life	41	78	106	144	96	1,190
OK	3	67	66	61	50	890
Niko-Mart	47	23	6	25	4	360
Others	-8	-352	-20	-41	-159	368

Source: Taiwan Chain Stores & Franchise Association Yearbook 2005

The chart below outlines the trends and development of Taiwan's food retail market. Convenience stores have transcended other retail formats since 2002 after a period of rapid expansion from 1988 throughout the 1990s.

**Store Channel Growth Trends
1996-2004**



Taiwan As a Gateway to China

Besides seeking new ways to increase market share at home, most of the Taiwan convenience store chains are aggressively exploring the overseas markets, especially the China market. Taiwan has been proven to be an important gateway to China. Family Mart and Starbucks Coffee, for instance, have followed the Taiwanese customary pattern of first establishing a base in Taiwan and then stepping into China through their Taiwan partners who hold first-hand knowledge and information about the China market, its people, and its business practices. For now, Family Mart is the only convenience store chain that has crossed the Strait. Family Mart holds 10% stake in Shanghai Family Mart, a joint venture with Family Mart Japan and other groups. It is anticipated that more Taiwan/foreign joint ventures will follow this pattern of taking Taiwan as a gateway to China.

Convenience Stores Play a Role as “the Last Mile” in the On-Line Shopping

Taking advantage of its distribution network, Taiwan’s leading convenience store chain, 7-Eleven, states that “consumers are now able to enjoy an on-line shopping heaven with bill-payment and convenient pick-up at 7-Eleven stores island-wide.”

To compete with their common rival, the other four top chains, Family Mart, Hi-Life, OK, and Niko Mart, jointly launched a CVS.COM Co., Ltd. in 2000. The company set up a platform to handle deals in e-commerce goods and bill-payments. With a total of 4,300 stores jointly owned by these four chains, the volume of EC goods handled by CVS.COM is reportedly increasing significantly with double-digit growth in recent years.

Store Formats/Offerings Reflect the Change in Population Structure

To reflect the change in demand resulting from the change in population structure, convenience stores will likely develop new store formats that focus on certain groups of consumers, like elderly or working women, or will adjust goods stocked to meet the demand of consumers. Taiwan’s population is aging. The elderly (age 65 and above) account for 9.77 % of the total population, higher than the world average of 7%. Single-person households and small size families are becoming more common. The percentage of convenience foods, microwaveable foods, vegetarian foods and healthy foods will continue to increase in these convenience stores. In addition, these convenience stores are expected to further extend their service items. The

income from collecting public utility fee has become one of the most important revenue earners for these stores.

II. Company Profile

7-Eleven Taiwan

7-Eleven Taiwan, or the President Chain Store Corp., is an affiliate of the Uni-President Enterprises Group, Taiwan's largest food company. 7-Eleven continues to lead other convenience stores in Taiwan in number of stores, sales volume, and profits generated. Its total annual sales reached over US\$2.9 billion in 2005, a 21% increase from the previous year.

The first 7-Eleven store opened in 1980 and since then has grown to cover 4,179 stores as of April 2006. 7-Eleven Taiwan had difficulty in the beginning, because of weak acceptance by local consumers. With a continuous 7-year loss, it then started turning out profits by 1987. Today, Taiwan has become the 3rd largest chain system of 7-Eleven in the world, behind Japan and the United States. To secure the market competitiveness, the President Chain Store Corp. has been working toward a diversified management module. It has developed more than ten related enterprises, including Starbucks Coffee Taiwan (171 outlets), and Cosmed drug stores (174 outlets). The company adopted an aggressive stance towards internationalization. It established Shanghai President Coffee Corp. (Starbucks Coffee), and invested in Philippines Seven Corp., holding a 57 percent stake in the operations of 7-Eleven's business in the Philippines. Today it enjoys great growth with 270 stores in the Philippines market. The President Chain Store Corporation and its parent company, the Uni-President Group, have been active in exploring the China market. Reportedly, negotiations and communications pertaining to the franchise agreement for 7-Eleven Taiwan to operate 7-Eleven stores in China are underway.

Family Mart Taiwan

Family Mart, Taiwan's 2nd largest convenience store chain, was established in August 1988 by Family Mart Japan (38.8%), Itochu Corp. Japan (17%), Taisun Enterprise Group Taiwan (11.7%), Kuang Chuan Dairy Taiwan (10%), and other Taiwan groups (15%). Taiwan Family Mart has an aggressive expansion plan in China. The first store was opened in Shanghai in 2004 and has grown to nearly 100 stores in the area in two years. Family Mart Taiwan holds 10.6% stake in Shanghai Family Mart, a joint venture with Family Mart Japan and other Taiwan/Japan groups. Currently, Family Mart Taiwan has 1,884 stores in Taiwan and is expected to expand to 2,000 stores by 2006. In 2005, Family Mart Taiwan generated US\$926 million in sales, a 13% increase from the previous years.

Hi-Life

Hi-Life Convenience Store Chain, or the Life International Co., Ltd., was established in 1989 by the Kuang Chuan Dairy Co., Ltd. Hi-Life is a 100% local convenience store chain with currently 1,190 stores island-wide. In 2004, the Uni-President Group, Taiwan's largest food company, bought a 31.25 percent stake in Hi-Life International Co. Ltd. Reportedly, Hi-Life generated US\$515 million in sales in 2005, a 12 percent increase from the previous year.

OK Convenience Stores

In September 1988, the OK Convenience Stores, a joint venture of the Feng Chun Enterprise Group Taiwan and Circle K of the United States launched three "OK" convenience stores at the

same time in Taipei. It has grown to 890 stores island-wide by April 2006. OK Convenience Stores terminated the franchise agreement with the Circle K in late 2005 and became the Lai Lai OK Convenience Stores. The new company continues to operate “OK” stores in Taiwan. Reportedly, Lai Lai OK Convenience Stores generated US\$345 millions in sales in 2005, a 7 percent increase from the previous year.

Niko Mart

Established in June 1990, Taiwan Niko Mart is a joint venture of the Taisun Enterprise Group Taiwan and Niko Mart Japan. Niko Mart's parent company, the Taisun Group is one of Taiwan's top food and beverage manufacturers. In 2005, Niko Mart generated US\$156 million in sales, a 7 percent increase from the previous year.

CVS.COM Co., Ltd.

In 2000, Taiwan's top four convenience store chains, Family Mart, Hi-Life, Circle K and Niko Mart, jointly formed a company, CVS.COM Co., Ltd., a joint venture company to operate a network for the four chains in offering e-commerce services. CVS.COM.TW is an open e-commerce platform and window for the four convenience stores. The company offers on-line shopping and logistics services including joint procurement and marketing to the four chains. The objective is to minimize the operating costs of the four chains and thereby enhance their market competition.

III. Market Access

Taiwan convenience store chains import directly. They also rely on importers, agents, and distributors for products. Managers of these chains plan to increase the number and variety of imported goods stocked. U.S. exporters can sell directly to these stores by contacting their purchasing departments. Major Taiwan convenience store chains have their own distribution centers to distribute products, both dry and chilled/frozen goods, to each outlet. The other convenience stores have ties with other distribution centers.

The President Chain Store Corporation and 7-Eleven stores use a wide variety of goods and services and are always looking for new products that will better serve their customers. 7-Eleven Taiwan states that they welcome offers from any competitive and dependable suppliers for the following food products: Beverage, snacks, candy, canned food, condiments, cooking, and others. U.S. suppliers are encouraged to contact them directly:

International Procurement Team

President Chain Store Corp.

Email: weng6491@mail.7-11.com.tw

Fax: 886-2-2747-8009

CVS.COM Co., Ltd. serves as a joint purchasing team for Family Mart, Hi-Life, OK, and Niko Mart. One of the objectives of this company is to jointly seek, purchase, and market new products to be sold in the four convenience store chains. U.S. exporters who are interested to market their products at these convenience stores should contact CVS.COM directly:

CVS.COM Co., Ltd.

charles@ultimate-accessories.com.tw

Fax (886-2) 2547-1590

VI. Post Contact and Further Information

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